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DIRECTORATE OF  
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[ BOLIVIA: General Juan Jose Torres declared himself president after his forces occupied government installations in La Paz yesterday afternoon.

[General Miranda's forces, which had forced President Ovando's resignation on 6 October, backed down in the face of Torres' strong coalition of loyal elements of the air force and army as well as leftist-led labor, student, and peasant groups. Little fighting accompanied the actual takeover, and Torres' forces are rapidly consolidating their control.]

[The key to Torres' successful seizure of power was the backing he received from radical leftist labor and student leaders. He was able to confront Miranda's forces with considerable military strength as well]

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[Labor and student leaders rejected the Miranda-installed government and agreed to cooperate with Torres if he accepted their conditions, which included university and worker participation in the new government, respect for university autonomy, wage increases, and free elections within six months. Torres apparently accepted at least some of the conditions, and arms were distributed.]

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During the confusion yesterday, students led raids on several US installations in La Paz, as well as on the homes of pro-Miranda military officers. Student and labor groups also used the occasion to take over at least two newspapers, forming cooperatives, and ensuring that the leading voices of the news media will now follow a generally leftist line.

[Torres demonstrated a proclivity for demagoguery during the time he participated actively in the Ovando government. He maintained close relations ]

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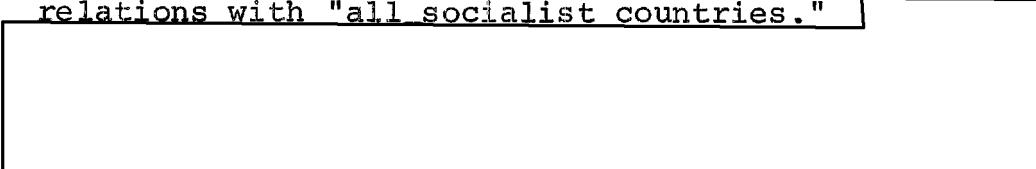
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[ with the leftists Ovando originally appointed to his cabinet and reportedly was one of the prime movers in the expropriation of the US-owned Bolivian Gulf Oil Company.]

At the swearing-in ceremony Torres said he would form a government that would include civilian members of the groups that supported him. He has, however, been presented with a new list of 20 demands by a group of leftist leaders of labor, the universities, and several political parties including the pro-Moscow and pro-China Communist parties. Their continued support apparently hinges on Torres' acceptance of these demands, which include the removal of foreign military missions and other "imperialist" agencies, the abrogation of the compensation settlement with Gulf, the nationalization of foreign banks and the US-owned Matilde Mines, workers' control of private industry, and diplomatic relations with "all socialist countries." 

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CHILE: The economy continues to deteriorate.

Middle and upper class Chileans are continuing to flee to Argentina and other countries. Heavy foreign exchange demand by travelers caused the Central Bank to cut tourist allowances in half, and upward pressure on black market rates has resumed. Strict foreign exchange controls make capital flight extremely difficult, however, and official foreign reserves continue at a record high.

Sharply reduced sales and ebbing business confidence have caused extreme congestion in Valparaiso, Chile's largest port, because importers are not claiming their merchandise. Also, a strike at Chile's largest copper mine has sharply reduced exports.

The Association of Metalworking Industries, whose members account for 28 percent of industrial employment, considers the current crisis the worst in its 31-year history. A poll of its members reveals a stark picture of weak consumer demand, sharply reduced production, widespread defaults on payment, and shortages of bank credit and cash reserves despite the Central Bank's efforts to maintain liquidity. The industry's troubles will further depress other economic sectors where various companies already are declaring extraordinary cash dividends to reduce their investment stake.

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SIERRA LEONE: Rising tensions between armed supporters of Prime Minister Stevens and his political opponents have provoked a number of violent clashes.

The recent upsurge of political violence was sparked by the activities of important northern politicians who last month resigned from Stevens' cabinet, exposing a serious split within the ruling party. The defectors are vigorously campaigning in the north, where Stevens traditionally has had a strong political base, to gain support for their new United Democratic Party (UDP). Last weekend, party rallies in two northern cities erupted into violence.

Police so far have been able to control the situation, but clashes are likely to continue and increase in number and seriousness. The prime minister is being urged by some of his backers to move decisively against the UDP, and to use armed party thugs if necessary. The opposition has vowed to meet violence with violence.

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COMMUNIST CHINA: Evidence is increasing that Chou En-lai's trip abroad has been postponed for at least several months. Last weekend the Tanzanian Ministry of Foreign Affairs published a statement denying there were plans for a visit by Chou in October. [redacted]

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[redacted] Tanzanian President Nyerere's busy January schedule may push the visit into February. The Chinese still plan to send an official delegation to the formal opening of construction of the Tan-Zam railway, scheduled for late October. [redacted]

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MALTA-UK: A new financial agreement with Britain puts Prime Minister Borg-Olivier in a more favorable position for the coming Maltese election. The Heath government has consented to the division of aid desired by Malta--75 percent in grants and 25 percent in loans. The Wilson government had insisted on a 50-50 division. Borg-Olivier must call an election by 24 April next year. There has been speculation that resolution of the aid impasse with Britain would enable the prime minister to call an election at an earlier date. [redacted]

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CUBA: A 20-day period of commemoration begins today for "Che" Guevara, who was killed on 9 October 1967 while leading a guerrilla band in Bolivia. Fidel Castro has placed great importance on Guevara as a revolutionary symbol and may use the occasion to deliver a major pronouncement. He said earlier that he would dedicate the death mask and the severed hands of Guevara, which were smuggled out of Bolivia to Cuba. As in the past, extremist groups in Latin America may attempt to hold demonstrations or carry out small-scale terrorist operations in the next day or two. [redacted]

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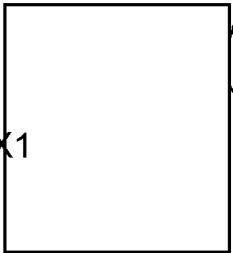
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USSR-PERU: Moscow is winding up its earthquake relief efforts in Peru. Some 147 Soviets departed Lima on 4 October, leaving only 11 helicopter technicians from the Soviet aid contingent. In another effort to wring as much publicity as possible from the USSR's relatively small contribution, the Soviet ambassador in Lima in a public ceremony this week symbolically turned over to Peru 2,000 tons of relief goods, including 100 prefabricated houses, construction equipment, and foodstuffs that are en route to Peru by sea. Last month he turned over three MI-8 helicopters and a field hospital to the Peruvian minister of health.

[Redacted box]

\* \* \* \*

ECUADOR: The government is going ahead with plans to celebrate the 150th anniversary of Guayaquil's independence, despite the threat of violence. Strict security measures have been instituted and more than 30 extremists have been arrested. President Velasco's popularity has reached a new low in the city since he fired municipal and regional officials earlier this week, but he still intends to officiate at the ceremonies. Some members of the armed forces are unhappy with the government's heavy-handed actions and might decide that this is the time to move against the President.

[Redacted box]

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